



[6705-01-P]

FARM CREDIT ADMINISTRATION

12 CFR Parts 611, 620, and 630

RIN 3052-AD00

Organization; Disclosure to Shareholders; Disclosure to
Investors in System-wide and Consolidated Bank Debt
Obligations of the Farm Credit System; Advisory Vote

AGENCY: Farm Credit Administration.

ACTION: Final rule.

SUMMARY: The Farm Credit Administration (FCA) adopts as final without change an interim final rule which amended FCA regulations to remove the requirement that Farm Credit System (System) banks and associations hold non-binding, advisory votes on senior officer compensation in certain circumstances.

DATES: EFFECTIVE DATE: [Insert date of publication in the Federal Register].

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

On March 31, 2014, the FCA published the interim final rule (79 FR 17854) removing the FCA regulatory requirement that 1) associations hold non-binding advisory votes on senior officer compensation when 5 percent of the voting stockholders petition for the vote, and 2) Farm Credit banks and associations hold non-binding advisory votes on senior officer compensation if senior officer compensation increased by 15 percent or more from the previous reporting period (hereafter referred to as "advisory voting rule").¹ The interim final rule responded to the provisions of Title VI of the Consolidated Appropriations Act, 2014 (Appropriations Act)² and the "Findings by Congress" in section 5404 of the Agricultural Act of 2014 (Farm Bill)³. In adopting the interim final rule, the FCA explained the Appropriations Act provided that no funds available to the FCA during the current fiscal year may be used to "implement or enforce" the advisory voting rule and the Farm Bill directed the FCA to review its rules to ensure

¹ See 77 FR 60582 (10/03/2012). The rule was effective December 17, 2012, but non-binding, advisory votes on compensation increases of 15 percent or more were not required until 2015 (77 FR 76215, December 27, 2012).

² 113 Pub. L. 76, 128 Stat. 5 (H.R. 3547), signed by the President on January 17, 2014.

³ 113 Pub. L. 79, 128 Stat. 649 (H.R. 2642), signed by the President on February 7, 2014.

they reflect Congressional intent that a primary responsibility of the boards of directors of System institutions is to oversee compensation practices.

The FCA received two comments on the interim final rule. In its comment letter, the Farm Credit Council (Council), on behalf of its System members, supported the FCA deleting the non-binding, advisory vote provisions in response to the actions taken by Congress in both the Appropriations Act and the Farm Bill. In its comment letter, the Independent Community Bankers of America (ICBA) expressed the view that the FCA did not need to remove the advisory vote provisions in order to comply with recent Congressional action and suggested that FCA modify the rule through a re-proposal. The ICBA asserted that neither the Appropriations Act nor the Farm Bill require the FCA to withdraw the advisory vote provisions and that a re-proposal would pose no compliance conflict. The ICBA comment letter also mentioned several times the need to allow non-binding, advisory votes at System institutions.

After careful consideration of the comments, the FCA has determined that no changes to the interim final rule are warranted. FCA believes that further notice and comment rulemaking on this subject would be neither

practical nor meaningful based on the aforementioned Congressional actions. We note, however, in response to the commenter that advisory votes are not prohibited by this rule. System institutions may employ advisory votes of shareholders on a variety of topics.

Therefore, the FCA adopts as a final rule the interim final rule, which removed from parts 611, 620, and 630 the requirement for advisory voting. Specifically, the following non-binding advisory voting provisions are withdrawn:

- § 611.100(a), defining the term "advisory vote";
- § 611.360, requiring policies and procedures for non-binding, advisory votes on senior officer compensation;
- § 611.410, addressing non-binding, advisory votes on senior officer compensation;
- § 620.5(a)(11), requiring disclosure of any advisory votes held during the reporting year at the institution;
- § 620.6(c)(6), requiring disclosure (adjacent to the compensation table) in the annual report of a stockholder's right to petition for a non-binding, advisory vote on senior officer compensation; and

- § 630.20(i) (last sentence), requiring disclosure of any advisory votes held during the reporting year within the System.

All other regulatory provisions and changes resulting from the October 3, 2012 (77 FR 60582) rulemaking remain in effect. In addition, the interim final rule and this action close the rulemaking petition filed by the Council on December 4, 2012.⁴

Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 601 et seq.), the FCA hereby certifies that this final rule will not have a significant economic impact on a substantial number of small entities. Each of the banks in the System, considered together with its affiliated associations, has assets and annual income in excess of the amounts that would qualify them as small entities. Therefore, System institutions are not "small entities" as defined in the Regulatory Flexibility Act.

List of Subjects

12 CFR Part 611

⁴ On December 4, 2012, the Council, on behalf of the System banks and associations, filed a petition requesting that the FCA repeal the advisory voting rule. Interested parties have the right to petition a Federal agency to issue, amend, or repeal regulations under 5 U.S.C. 553(e). The FCA published the petition in the Federal Register on February 19, 2013 (78 FR 11551), and invited comments.

Agriculture, Banks, banking, Rural areas.

12 CFR Part 620

Accounting, Agriculture, Banks, banking, Reporting and recordkeeping requirements, Rural areas.

12 CFR Part 630

Accounting, Agriculture, Banks, banking, Organization and functions (Government agencies), Reporting and recordkeeping requirements, Rural areas.

Accordingly, the interim rule amending 12 CFR parts 611, 620, and 630, which was published on March 31, 2014 (79 FR 17854), is adopted as a final rule without changes.

Dated: June 12, 2014.

Dale L. Aultman,
Secretary,
Farm Credit Administration Board.

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